



Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2014

ARTS COUNCIL OF GREATER BATON ROUGE, INC.
Baton Rouge, Louisiana

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June 30, 2014

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Arts Council of Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of the **ARTS COUNCIL OF GREATER BATON ROUGE, INC.** (a non-profit corporation) (the Council) as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **ARTS COUNCIL OF GREATER BATON ROUGE, INC.** as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the **ARTS COUNCIL OF GREATER BATON ROUGE, INC.**'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining schedules of financial position and activities on pages 18 and 19 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued a report dated December 23, 2014, on our consideration of the **ARTS COUNCIL OF GREATER BATON ROUGE, INC.**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
December 23, 2014

ARTS COUNCIL OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

June 30, 2014

(with comparative amounts for 2013)

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 900,362	\$ 1,223,236
Certificates of deposit	261,696	254,543
Receivables:		
Promises to give - CFA Campaign, net	162,204	216,256
Grants and other	174,500	349,510
Related party	14,964	25,000
Prepaid expenses and other	<u>1,535</u>	<u>1,056</u>
Total current assets	1,515,261	2,069,601
EQUIPMENT, net	<u>22,733</u>	<u>20,920</u>
Total assets	<u><u>\$ 1,537,994</u></u>	<u><u>\$ 2,090,521</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 7,064	\$ 54,189
Due to grant recipients	260,168	324,045
Accrued expenses and other liabilities	53,274	18,539
Deferred revenues	<u>152,932</u>	<u>381,406</u>
Total liabilities	<u>473,438</u>	<u>778,179</u>
NET ASSETS		
Unrestricted	916,240	1,044,626
Temporarily restricted	<u>148,316</u>	<u>267,716</u>
Total net assets	<u>1,064,556</u>	<u>1,312,342</u>
Total liabilities and net assets	<u><u>\$ 1,537,994</u></u>	<u><u>\$ 2,090,521</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

ARTS COUNCIL OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014
(with comparative amounts for 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT, REVENUES, AND RECLASSIFICATIONS				
Contributions				
CFA Campaign and Workplace Giving	\$ -	\$ 279,797	\$ 279,797	\$ 426,272
Fundraisers/Gifts	235,163	79,161	314,324	269,108
In-kind - facility use	85,000	-	85,000	85,000
Membership	48,527	-	48,527	47,365
	<u>368,690</u>	<u>358,958</u>	<u>727,648</u>	<u>827,745</u>
Grants and Contractual Services				
Municipal/Parish	227,603	-	227,603	181,904
State of Louisiana	353,737	-	353,737	279,676
Community Fund for the Arts	80,029	-	80,029	85,763
School System and other	86,314	-	86,314	67,591
	<u>747,683</u>	<u>-</u>	<u>747,683</u>	<u>614,934</u>
Other				
Interest	8,707	-	8,707	12,287
Special events, net of expenses	142,662	-	142,662	147,918
Community School	38,567	-	38,567	46,101
Miscellaneous	62,626	-	62,626	64,019
	<u>252,562</u>	<u>-</u>	<u>252,562</u>	<u>270,325</u>
Net assets released from restrictions	<u>478,358</u>	<u>(478,358)</u>	<u>-</u>	<u>-</u>
Total support, revenues and reclassifications	<u>1,847,293</u>	<u>(119,400)</u>	<u>1,727,893</u>	<u>1,713,004</u>
EXPENSES				
Programs and development	1,257,487	-	1,257,487	828,395
CFA Grants - recipient organizations	265,168	-	265,168	324,045
General and administrative	453,024	-	453,024	489,255
Total expenses	<u>1,975,679</u>	<u>-</u>	<u>1,975,679</u>	<u>1,641,695</u>
Change in net assets	(128,386)	(119,400)	(247,786)	71,309
NET ASSETS				
Beginning of period	<u>1,044,626</u>	<u>267,716</u>	<u>1,312,342</u>	<u>1,241,033</u>
End of period	<u>\$ 916,240</u>	<u>\$ 148,316</u>	<u>\$ 1,064,556</u>	<u>\$ 1,312,342</u>

The accompanying notes to financial statements
are an integral part of this statement.

ARTS COUNCIL OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

For the year ended June 30, 2014

(with comparative amounts for 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (247,786)	\$ 71,309
Adjustments for non-cash items:		
Depreciation	6,764	5,525
Change in allowance for uncollectible pledges	12,500	6,700
Forgiveness of indebtedness on loan to related party	25,000	-
Changes in operating assets and liabilities:		
Receivables, prepaid expenses, and other assets	216,083	98,892
Accounts payable and other liabilities	<u>(304,741)</u>	<u>(66,172)</u>
Net cash provided (used) by operating activities	<u>(292,180)</u>	<u>116,254</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(8,577)	(3,751)
Loan to related party	(25,000)	(25,000)
Payments on loan from related party	10,036	-
Certificates of deposit	<u>(7,153)</u>	<u>-</u>
Net cash used by investing activities	<u>(30,694)</u>	<u>(28,751)</u>
Net increase (decrease) in cash	(322,874)	87,503
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,223,236</u>	<u>1,135,733</u>
End of year	<u>\$ 900,362</u>	<u>\$ 1,223,236</u>

The accompanying notes to financial statements
are an integral part of this statement.

ARTS COUNCIL OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Arts Council of Greater Baton Rouge, Inc. (the Council) was founded in 1973 to serve the City of Baton Rouge, East Baton Rouge Parish and surrounding parishes. The mission of the Council is to enhance the quality of life of the community through the arts. In addition, the Council conducts an annual united fund drive for participating arts organizations and receives significant funding from government agencies.

Basis of presentation

The financial statements of the Council have been prepared on the accrual basis. The significant accounting policies are described below to enhance the usefulness of the financial statements.

The Council reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Council does not have permanently restricted net assets.

The statement of activities presents expenses of the Council's operations functionally by program services, grants, and general and administrative.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used primarily when accounting for the allowance for uncollectible pledges, prepaid assets, depreciation, deferred revenues and in-kind revenue. Actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

The Council considers all highly liquid investments, money market funds and certificates of deposit with a maturity of three months or less at the date of acquisition to be cash equivalents.

Certificates of deposit

Financial Accounting Standards Board (FASB) Accounting Standards Codification, (ASC 820), establishes a framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs (sources of pricing information) to valuation techniques used to measure fair value. The highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable and significant to the fair value measurement.

Certificates of deposit are recorded at cost, which approximates fair market value using level 2 inputs.

Promises to give

The Council reports contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Council that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily restricted net assets and, when a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for uncollectible pledges

An allowance for uncollectible pledges is recorded based on prior years' experience and management's analysis of specific pledges. At June 30, 2014, the allowance for uncollectible pledges was \$27,500. To the extent that amounts reserved are collected, the subsequent year's commitment to participating arts organizations is increased.

The Council does not require collateral on its receivables. At June 30, 2014, receivables outstanding for longer than 90 days totaled \$109,036. These receivables relate to government grant funding and a private grant, which is scheduled to be paid over two years.

Grant recognition

Grants that represent exchange transactions are recorded as a receivable when the grant is formally committed. Grants committed at year end which are applicable to the subsequent fiscal period are included in grants receivable and deferred income. Furthermore, the Council is advanced funds from governmental agencies; such advances are recorded as deferred income until earned.

The Council receives grants which apply to programs whose duration extends into the subsequent year. Revenue is recognized on these grants each fiscal year based on a ratio of expenses incurred during the year to the total projected expenses of the program. At June 30, the unexpended portion of the grant is deferred. In the case of grants received for general operations that apply to a designated time period, income is recognized on a pro-rata basis. Grants that represent contributed support are recognized in the same manner as promises to give.

Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost. Depreciation of equipment and leasehold improvements is computed using the straight-line method over the estimated useful lives of the assets.

Vacation leave

Vacation leave is earned at varying rates for two to three weeks per year depending on length of service. A maximum of ten days of unused vacation leave can be carried over at December 31. Accordingly, amounts related to such vacation leave have been accrued.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily restricted net assets

During 2014, changes in temporarily restricted net assets were as follows:

	Beginning of Year	Increases	Decreases	Remaining Net Assets
CFA Campaign	\$ 92,281	\$ 279,797	\$ (324,818)	\$ 47,260
Contributed support grants:				
East Baton Rouge City Parish	70,000	-	(70,000)	-
Old South Baton Rouge	50,000	-	(50,000)	-
Derek E. Gordon Memorial Fund	20,135	36,845	(11,827)	45,153
Sunday in the Park	17,500	17,500	(17,500)	17,500
Crespo Award	5,150	-	-	5,150
Spanish Town - Arts	3,500	-	(2,550)	950
From the Flame	3,104	-	-	3,104
Richardson Dufor Scholarship	2,443	-	-	2,443
FFA Sun Umbrellas	1,940	-	-	1,940
Pennington Foundation	1,663	2,500	(1,663)	2,500
Program Grant Old South Baton Rouge	-	15,361	-	15,361
Art Mart	-	6,955	-	6,955
	<u>175,435</u>	<u>79,161</u>	<u>(153,540)</u>	<u>101,056</u>
	<u>\$ 267,716</u>	<u>\$ 358,958</u>	<u>\$ (478,358)</u>	<u>\$ 148,316</u>

The contributions generated above are designated to fund operations of participating arts organizations or have restrictions as stipulated in the grant agreement. When the related purpose restriction is satisfied, these temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Tax-exempt status

The Council is a non-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Council follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes it has no material uncertain tax positions and, accordingly, has not recognized a liability for any unrecognized tax benefits. The Council's open audit periods are 2011 through 2014.

Contractual services

The Council contracts with local municipalities and school systems to provide educational services and cultural development to residents and school children, organizations and the community. The Council records contractual services as receivables at the time the services are provided to the recipients.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value of financial instruments

The carrying value of receivables, accounts payable, accrued expenses, and deferred revenue approximates fair value due to the short-term maturity of these instruments. None of the financial instruments are held for trading purposes.

Donated facilities and furniture

The Council utilizes, without charge, certain premises owned by the City-Parish government. The annual fair rental value of the premises, and the furniture and utilities, is estimated to be \$85,000 which is reflected in the financial statements as in-kind facility use.

In-kind services

Material in-kind items used in the Council's special events are recorded as revenue and expense at the time the items are received, which is normally the time they are placed into service. For the year ended June 30, 2014, the Council recognized approximately \$42,363 from donated services, which has been included in special events and gifts.

A substantial number of unpaid volunteers have made a significant contribution of their time to develop the Council's programs, principally in fund raising activities, educational projects, operations, and board participation. The value of this donated time is not reflected in these statements since such services do not meet the requirements for recognition under generally accepted accounting principles.

Subsequent events

In preparing the financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through the date of the auditors' report, which was the date the financial statements were available to be issued.

NOTE 2 - CERTIFICATES OF DEPOSIT

At June 30, 2014, the Council held certificates of deposits (CD's) with a market value of \$261,696. Interest earnings are reinvested into the CD and therefore fair market value equals the cost of the investment.

NOTE 3 - EQUIPMENT

Equipment of \$183,582 has an estimated service life of three to five years with accumulated depreciation of \$160,849 and a net value of \$22,733 at June 30, 2014. Depreciation expense was \$6,764 for 2014.

NOTE 4 - RETIREMENT PLAN

The Council offers retirement benefits through simple individual retirement accounts for eligible employees electing to establish the account. The Council provides matching contributions of 3% of eligible compensation. Participants are fully vested in contributions made to their individual retirement account. During 2014, the Council contributed \$8,795.

NOTE 5 - GRANTS TO PARTICIPATING AGENCIES

Certain donors designate contributions for specific arts organizations, which are accounted for as agency funds and, accordingly, are not recognized as income or expenses. The remaining contributions, which are undesignated, are allocated to arts organizations based on a formula determined by the Board. For the year ended June 30, 2014, grant allocations were designated to the following participating arts organizations:

Arts Council of Greater Baton Rouge	\$ 60,337
Louisiana Arts and Science Museum	27,432
Baton Rouge Symphony	27,432
Manship Theatre	27,432
Emerging /Merit Fund	16,800
Baton Rouge Little Theater	16,593
Foundation for Historical Louisiana	14,222
Baton Rouge Ballet Theater	13,558
Playmakers of Baton Rouge	11,705
Swine Palace	10,430
WRKF Public Radio	9,144
Of Moving Colors	7,413
Baton Rouge Gallery	6,495
Louisiana Sinfonietta	5,991
Magnolia Mound	4,741
Tourgee DeBose National Piano Competition	5,443
	<hr/>
	\$ 265,168

NOTE 6 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which subject the Council to concentrations of credit risk consist primarily of cash, cash equivalents, and certificates of deposit. The Council typically maintains these balances in local banks that may, at times, exceed the FDIC limits. Concentrations of credit risk for receivables are generally diversified due to the large number of entities and individuals composing the Council's programs and donor base.

The Council solicits a majority of funds from individual and corporate contributors in the Baton Rouge area and also receives grants from the City of Baton Rouge and the State of Louisiana, which are significant.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Council entered into an agreement with the new executive director that provided a salary advance of \$25,000 for assistance with relocation expenses. At June 30, 2014, the salary advance was forgiven and classified as compensation as the executive director's twelve month employment satisfied the condition for forgiveness of the salary advance.

NOTE 7 - RELATED PARTY TRANSACTIONS (CONTINUED)

In October 2013, the executive director received a loan for \$25,000. Per the agreement with the Council, the amount will be repaid through payroll deductions over 26 payments. The balance of this loan is classified as a related party receivable of \$14,964 at June 30, 2014.

Special Independent Auditors' Reports
ARTS COUNCIL OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

June 30, 2014



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Arts Council of Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of **ARTS COUNCIL OF GREATER BATON ROUGE, INC.** (a non-profit organization) (the Council), which comprise the statements of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated December 23, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a significant deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompany schedule of findings and responses that we consider to be significant deficiencies and are reported as items 2014-1 and 2014-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2014-2.

Arts Council of Greater Baton Rouge, Inc.'s Response to Findings

The Council's responses to the findings identified in our audit is described in the accompanying schedule findings and responses. The Council's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of the Board of Directors, management, state and federal granting agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
December 23, 2014

ARTS COUNCIL OF GREATER BATON ROUGE, INC.
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2014

A) SUMMARY OF AUDIT RESULTS

B) FINDINGS - FINANCIAL STATEMENT AUDIT

2014-1 PREPARATION OF FINANCIAL STATEMENTS

Observation: The Council relies on its auditors to assist in adjusting the books and in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, we cannot be considered part of the Council's internal control structure. The design of the internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Recommendation: Since management is satisfied with using its auditing firm to prepare external financial statements, no change is recommended. However, this matter will continue to be reported.

Management's corrective action plan: Management intends to continue using the auditing firm to prepare the external financial statements and related footnote disclosures.

2014-2 GRANT DOCUMENTATION

Observation: During our review of documentation required to be maintained by grant agreements, it was noted that sufficient evidence of program expenditures was not retained for three payments to recipient organizations. The grant files did not contain a payroll register for one payment and performance contracts, invoices, or timecards for performers for another payment. The original contract required source documents including invoices and proof of payment. Additionally, for another payment the grant file did not contain a copy of the canceled checks per the grant contract; however, the Council's bank statement indicated the check that cleared for the amount of the invoice.

Recommendation: The grant documentation requirement should be strictly adhered to.

Management's corrective action plan: During 2014, there was turnover in the grant administrator position, which resulted in inconsistent documentation; however, management will emphasize the importance of strict adherence to the policies and agreements of obtaining required documentation as specified.

ARTS COUNCIL OF GREATER BATON ROUGE, INC.
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

For the year ended June 30, 2014

2013-1 PREPARATION OF FINANCIAL STATEMENTS

This finding has been reclassified as 2014-1.

2013-2 GRANT DOCUMENTATION

This finding has been reclassified as 2014-2.

ARTS COUNCIL OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

COMBINING SCHEDULE OF FINANCIAL POSITION

June 30, 2014

	ASSETS		
	Arts Council	Community Funds for the Arts	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 765,614	\$ 134,748	\$ 900,362
Certificates of deposit	261,696	-	261,696
Receivables:			
Promises to give - CFA Campaign, net	-	162,204	162,204
Grants and other	174,500	-	174,500
Related party	14,964	-	14,964
Internal balances	(10,476)	10,476	-
Prepaid expenses	1,535	-	1,535
Total current assets	1,207,833	307,428	1,515,261
EQUIPMENT, net	22,733	-	22,733
Total assets	<u>\$ 1,230,566</u>	<u>\$ 307,428</u>	<u>\$ 1,537,994</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 7,064	\$ -	\$ 7,064
Due to grant recipients	-	260,168	260,168
Accrued expenses and other liabilities	53,274	-	53,274
Deferred revenues	152,932	-	152,932
Total current liabilities	213,270	260,168	473,438
NET ASSETS			
Unrestricted	916,240	-	916,240
Temporarily restricted	101,056	47,260	148,316
Total net assets	1,017,296	47,260	1,064,556
Total liabilities and net assets	<u>\$ 1,230,566</u>	<u>\$ 307,428</u>	<u>\$ 1,537,994</u>

See Independent Auditors' Report

ARTS COUNCIL OF GREATER BATON ROUGE, INC.

Baton Rouge, Louisiana

COMBINING SCHEDULE OF ACTIVITIES

For the year ended June 30, 2014

	Arts Council	Community Funds for the Arts	Total
SUPPORT AND REVENUES			
Contributions			
CFA Campaign and Workplace Giving	\$ -	\$ 279,797	\$ 279,797
Fundraisers/Gifts	314,324	-	314,324
In-kind facility use	85,000	-	85,000
Membership	48,527	-	48,527
	<u>447,851</u>	<u>279,797</u>	<u>727,648</u>
Grants and Contractual Services			
Municipal/Parish	227,603	-	227,603
State of Louisiana	353,737	-	353,737
Community Fund for the Arts	80,029	-	80,029
School System and other	86,314	-	86,314
	<u>747,683</u>	<u>-</u>	<u>747,683</u>
Other			
Interest	8,707	-	8,707
Special events, net of expenses	142,662	-	142,662
Community School	38,567	-	38,567
Miscellaneous	62,626	-	62,626
	<u>252,562</u>	<u>-</u>	<u>252,562</u>
Total support and revenues	<u>1,448,096</u>	<u>279,797</u>	<u>1,727,893</u>
EXPENSES			
Programs and development	1,257,487	-	1,257,487
CFA Grants - recipient organizations	-	265,168	265,168
General and administrative	393,374	59,650	453,024
Total expenses	<u>1,650,861</u>	<u>324,818</u>	<u>1,975,679</u>
Change in net assets	(202,765)	(45,021)	(247,786)
NET ASSETS			
Beginning of period	<u>1,220,061</u>	<u>92,281</u>	<u>1,312,342</u>
End of period	<u>\$ 1,017,296</u>	<u>\$ 47,260</u>	<u>\$ 1,064,556</u>

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